

EXHIBIT CC

SIDAH HYDER
ASLAM & CO.

Chartered Accountants

Representing the Arthur Andersen
Worldwide Organization in Pakistan

MUWAFAQ FOUNDATION

ACCOUNTS FOR THE PERIOD ENDED

31 DECEMBER 1992

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SIDA MUYEDER
ASLAM & CO

IA/0038/93

18 May 1993

The Chairman

Muwafaq Foundation

Jeddah

Kingdom of Saudi Arabia

Chartered Accountants

2nd Floor, Nasr Chambers,
Block 19, Markaz F-7,
Islamabad
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Dear Sir

Representing the Arthur Andersen
worldwide organisation in Pakistan**MUWAFAQ FOUNDATION - PAKISTAN**
ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1992

We are pleased to enclose five copies of the accounts of MUWAFAQ FOUNDATION (the Foundation) for the period ended 31 December 1992. Our examination of the books of account was based on International Standards on Auditing as adopted in Pakistan and accordingly included such tests and techniques as we considered necessary under the circumstances to perform substantive audit testing.

2. During the course of our verification we have observed certain matters requiring management's attention which are given in the ensuing paragraphs.

3. RECEIPTS

3.1 The receipts of funds for the activities of the Foundation have been verified from the bank statements provided to us. Although all the receipts have been taken into the books of account there are certain receipts the source of which, in the absence of any documentary evidence, could not be ascertained for the purpose of tracing or matching.

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11. OPENING BALANCES

Although we understand that the Foundation has been in operation before the period which is covered by these accounts there is no record of opening balances which are to be incorporated for the preparation of these accounts. Only one balance of a bank account is ascertainable from the bank statements which has been treated as current year receipts which more appropriately represents part of the previous periods excess of receipts over expenses.

We hope that the above receives the attention of the management. We take the opportunity to place on record our appreciation of the co-operation and courtesy extended to us during the course of our assignment.

Yours faithfully
For Sidat Hyder Aslam & Co.

SR
(SHIBLI ISLAM REHAN)
Senior Manager

Encls.



SIDAH HYDER
ASLAM & CO.

Chartered Accountants

Representing the Arthur Andersen
World-wide organisation in Pakistan**AUDITORS' REPORT TO THE BOARD OF DIRECTORS**

We have audited the annexed Statement of Affairs of MUWAFAQ FOUNDATION as at 31 December 1992, together with the notes forming part thereof, prepared on cash receipts and disbursement basis. Our examination was made in accordance with the International Standards on Auditing as adopted in Pakistan and included such tests of the accounting records and such other auditing procedures as we considered necessary.

2. The Foundation in common with others of a similar size and organisation derives its receipts from voluntary donations in cash and in kind which cannot be fully controlled until they are entered in the accounting records and are not therefore susceptible to independent audit verification.

3. In common with many organization of similar size the Foundation's system of control is dependent upon close involvement of the Regional Director. Where independent confirmation of the completeness of the accounting records was therefore not available, we have accepted assurances from the Regional Director that all the Foundation's transactions have been reflected in the record.

4. The accompanying statement of affairs includes advances of Rs.511,444 to various employees of the Foundation for expenses being incurred. No adjustment has been made for expenses which may have been defrayed out of such advances upto the date of the accounts. Moreover, included in the Regional Office expenses are net unadjusted advances aggregating Rs.344,319 (note 9.1) which have been charged-off as current period expenditure, as desired by the management.

5. Subject to the foregoing paragraph 2 and 3 and except for the paragraph 4 in our opinion, the Statement of Affairs, together with the notes forming part thereof, gives a true and fair view of the assets and liabilities of the Foundation as on 31 December 1992 and of the surplus for the period then ended, in conformity with the International Accounting Standards as applicable in Pakistan.

ISLAMABAD:

CHARTERED ACCOUNTANTS

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MUWAFAQ FOUNDATION
STATEMENT OF AFFAIRS AS AT 31 DECEMBER 1992

NOTE RUPEES US \$

RECEIPTS

Donations	3	16,777,000	621,370
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EXPENDITURE

Aftaar Saaim Project	4	1,160,146	42,968
Central Asia Project	5	294,934	10,923
High Institute of Islamic Training	6	473,557	17,539
Muwafaq International School		7,330	271
Orphanages	7	64,809	2,400
Flood Relief Project	8	2,280,811	84,474
Expenditure on establishment of other offices		325,020	12,038
National Office	9	1,133,956	41,998
Depreciation		424,861	15,736
Exchange (gain)/loss		414,309	(3,571)
		-----	-----
Financial assistance to Department of Research and Study		6,579,733	224,778
		955,952	35,406
		7,535,685	260,184

Excess of receipts over expenditure	9,241,315	361,187
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REPRESENTED BY

FIXED ASSETS - tangible	1D	1,752,158	69,072
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NET CURRENT ASSETS

Third World Development Organization		20,351	793
Loans and advances	11	644,570	25,110
Bank balances	12	7,313,038	284,839
		-----	-----
		7,977,959	310,742
LESS CURRENT LIABILITIES			
Loan from Mr. Khalid Jammal		54,000	2,058
Muwafaq Trading (Pvt.) Limited		434,802	16,568
		488,802	18,627
		7,489,157	292,115

9,241,315	361,187
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The annexed notes form an integral part of these accounts

REGIONAL DIRECTOR

CHAIRMAN

MUWAFAQ FOUNDATION
NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED
31 DECEMBER 1992

1.1 BACKGROUND AND NATURE OF OPERATIONS

1.1 The Muwafaq Foundation, (Pakistan) (the Foundation) is a branch of Muwafaq Foundation registered in Island of Jersey, Channel Islands. The local Regional Office of the Foundation for Asia was set up in Pakistan with the approval of Government of Pakistan and was registered with the Deputy Registrar of Companies, Islamabad on 26 November 1992. However, the Foundation commenced its activities since July 1991.

1.2 The main purpose of the Regional Office in Pakistan is to execute projects for the relief and rehabilitation of public at large and those suffering from natural disasters, wars, etc.

- providing financial assistance to organisations, institutions and research centres to improve the standards of education
- providing guidance and education by printing and distributing of books, tapes, newspapers, magazines and other publications and to present them to international organisations and philanthropists for financial assistance.

1.3 The main source of income is donation which is collected from philanthropists mainly from Saudi Arabia and also from various other countries and the Middle East.

1.4 The Foundation has implemented the following projects:

- Central Asia Project
- Orphanage Project
- Flood Relief Project
- Aftaar Saaim Project
- Muwafaq International School
- High Institute of Islamic Education
- Pesh Imam courses and teachers training Institute

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2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

These accounts have been prepared on the basis of historical cost convention. It is based on cash method of accounting i.e., receipts are recognised when actually received and expenses are recognised when paid/adjusted except depreciation which is recognised in accordance with note 2.2.

2.2 Fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Cost of assets received as donation is determined on the basis of management's estimation which is based on prevailing market prices.

Depreciation is charged to income applying straight line method whereby cost is written off over its estimated useful life. Full year's depreciation is charged on additions while no depreciation is charged on assets deleted.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain and losses on disposal of assets, if any, are included in income currently.

2.3 Foreign Currency Transactions

Receipts in foreign currencies and transfers from dollar to rupee bank accounts are converted in Pak rupees at the rate of exchange ruling at the date of transaction. All other transactions are converted in Pak rupees at a pre-determined rate. Bank and other balances are translated into Pak rupees at the rate of exchange prevailing at the balance sheet date. Exchange differences are included in income currently.

2.4 Revenue Recognition

Donations, including donations in kind, are recorded as and when received.

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3. RECEIPTS

Donations in cash	15,903,000	589,000
Donations in kind	874,000	32,370
	16,777,000	621,370

4. AFTAAR SAAIM PROJECT

Peshawar	1,010,411	37,423
Islamabad	122,735	4,546
Uzbekistan	27,000	1,000
	1,160,146	42,968

5. CENTRAL ASIA PROJECT

Salaries and allowances	135,410	5,015
Travelling and hotel accomodation costs	121,616	4,504
Assistance to students	6,750	250
Stationary	17,601	652
Communication	6,772	251
Miscellaneous	6,785	251
	284,934	10,923

6. HIGH INSTITUTE OF ISLAMIC TRAINING

Salaries and allowances	198,827	7,364
Travelling	15,335	568
Communication	2,375	88
Utilities	9,258	343
Stationary	10,119	375
Vehicle up-keep	15,399	570
Newspapers	3,602	133
Repair and maintenance	12,783	473
Mess expenses	173,084	6,411
Medicines	4,658	173
Ent.	6,000	222
Miscellaneous	22,117	819
	473,557	17,539

7. ORPHANAGES

Salaries and allowances	28,809	1,067
House allowances	36,000	1,333
	64,809	2,400

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8. FLOOD RELIEF PROJECT

Cash distribution	1,455,930	57,516
Goods distribution	60,220	2,230
Prime Minister Relief Fund	300,000	11,111
Salaries and allowances	16,000	593
Travelling and conveyance	103,878	3,847
Communication	8,851	328
Boarding and lodging	37,972	1,406
Vechile up-keep	18,345	679
Printing and stationery	18,243	676
Photography	30,601	1,133
Entertainment	3,476	129
Miscellaneous	7,647	283
Others	122,648	4,543
	2,280,811	84,474

9. REGIONAL OFFICE

Salaries and allowances	309,840	11,476
Communication	90,486	3,351
Travelling and conveyance	40,461	1,499
Repair and maintenance	33,934	1,257
Legal and professional charges	87,958	3,258
Advertisement	9,017	334
Printing and staticnery	7,773	288
Vehicle up-keep	31,961	1,184
Entertainment	11,326	419
House rent	30,048	1,113
Donation	10,000	370
Office expenses	105,509	3,908
Miscellaneous	21,324	780
Unadjusted advances against projects written off	9.1	344,319
	1,133,956	41,998

9.1 These represents outstanding advance balances against various projects, as detailed below:

- Aftaar Saaim Project	346,538	12,835
- Central Asia Project	105,703	3,915
- Orphanages	50,000	1,852
- Regional Office	113,441	4,201
- High Institute	2,636	98
Less:Regional Office advance, included in above	(274,000)	(10,148)
	344,319	12,753

FIXED ASSETS	ADDITIONS DURING THE PERIOD	COST AS AT 31 DECEMBER	BOOK VALUE AS AT 31 DECEMBER	DEPRECIATION	
				(AMOUNT)	(RATE %)
Furniture and fixtures	105,425	105,425	94,360	11,125	10
Vehicles	1,144,916	1,344,916	1,315,439	32,483	20
Computers	301,300	301,300	211,040	16,260	20
Photo Copiers	86,000	86,000	68,800	17,200	20
Office equipment	39,375	39,375	31,500	7,875	20
RUPEES	2,177,019	2,177,019	1,752,158	424,861	
US \$	84,808	84,808	69,072	15,736	

10.1 Five vehicles costing Rs. 1,259,958/- are not in the name of the Foundation.

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11. GRANTS AND ADVANCES

Amir Mehdi	92,126	3,589
Abu Marwan	41,000	1,597
Advance to Investment Section	100,000	3,896
Orphanages	70,000	2,727
Regional Office	274,000	10,674
Muwafaq International School	67,444	2,627
	644,570	25,110

12. BANK BALANCES

Current accounts	379,448	14,379
Foreign currency accounts	6,933,590	270,060
	7,313,038	284,839

13. The above accounts represent transactions for the period from 1 December 1991 to 31 December 1992. No comparative figures are given as this is considered to be the first period of operations of the Foundation.

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REGIONAL DIRECTOR

CHAIRMAN

IA/0015/93
23 February 1993

The Chairman
Muwafaq Foundation
Jeddah, Saudi Arabia

Dear Sir

**HUWAFAQ FOUNDATION - PAKISTAN
ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1992**

We write with reference to our report no IA/0015/93 dated 20 February 1993 and the financial statements of Muwafaq Foundation, Pakistan (the Foundation) for the period ended 31 December 1992. During the course of our compilation we have observed certain matters requiring management's attention which are given in the ensuing paragraphs.

2. RECEIPTS

2.1 The receipts of funds for the activities of the Foundation has been compiled from the bank statements provided to us. Although all the receipts have been taken into books of account but the source of the receipts or any other documentary record does not seem to be available for the purpose of tracing or matching.

2.2 There were certain unidentified receipts/credits appearing in the rupee bank accounts amounting to Rs. 451,830 (equivalent to \$16,734). The underlying records do not give any detail to ascertain whether these have been direct transfers in the bank accounts or were deposits of cash amounts received for the purposes of the Foundation. In the absence of any contrary information it is been assumed these are amounts deposited by converting dollar amounts received as cash and also withdrawn from the accounts of the Foundation through other than normal banking channels. Therefore for the purposes of the accounts and presentation have been deducted from the advances. Similarly the repayment of loan Mr. Wael Hanza Jalaidan has also been adjusted against these unidentified credits on the assumption that the receipt of loan is included in these credits.

III EXPENDITURE ON PROJECTS

The expenses incurred on various projects have been determined from the record of payments mainly based on the information mentioned on the cheques. This has however been subsequently classified into the various expense/advance heads. The underlying record has, however, not readily available and therefore have not been verified from cash memos, bills, receipts, etc. Moreover, in most cases the amounts withdrawn for various expenses were on adhoc basis and not actual expenses which imply that the actual expenses incurred may be different than the amounts reflected against the various expense classifications. Similarly, there is also the possibility of recording expenses more than the actual amounts due to incomplete/wrong narration on the cheque stubs.

IV ADVANCES FOR PROJECTS/EXPENSES

4.1 Substantial amounts have been given as advances against various projects and for incurring expenses. Adjustments, if any, required to be made against these advances have not been made. This is only due to nonavailability of information from the persons receiving these advances on the basis of which the respective accounts would be charged and advances adjusted. The case of Aftaar Saaim project is an example. A transfer of the total advance of Rs.1.506 million (equivalent to US\$0.056 million) to the expenditure account has been made assuming that since the amount was to be expensed in the month of Ramadan the same would have already been spent but due to non-availability of actual expense statements and information was lying unadjusted as advance. The information is now being made available by the management to verify and adjust this amount with actual expenditure incurred.

For the amounts appearing as advance we suggest that the information should be made available as to the persons to whom these advances have been given and the disposal of these amounts by them so that the required accounting adjustments be carried out. Confirmation of amounts held as advance at the year end should also be obtained from them to determine the accuracy of the figures.

LOANS

Loans have been given to certain persons during the period the purpose and other details of which have not been seen. Any evidence of receipt of these loans was not made available nor the same has been confirmed by the recipients. We understand that no subsequent recoveries have been made against these loans.

6. FIXED ASSETS

6.1 The "costs" of fixed asset items have been taken from the payments record. The payments were not supported by any documents like bills, receipts, etc. Moreover, no record is maintained of the capital items received as donations in kind. Their values have been taken at the estimates of the management which we understand are based on the prevailing market prices. We have not seen any documentary evidence of such donations from the donors specifying their usage, etc. In the absence of any record being maintained we apprehend that there may be other items like furniture and fixtures and office equipment which have not been accounted for in the books of account. These can only be ascertained on the basis of conducting physical verification of all the fixed assets inventory and ascertaining which items were present at the period end date by deleting the current year acquisitions from the inventory list.

6.2 Certain fixed asset items appearing in the accounts mainly comprising of vehicles are not in the name of the Foundation. However, we understand that their physical custody and use is with the Foundation.

7. BANK BALANCES

The source document for preparing these accounts were the bank statements alongwith cheque books and the pay in slip books. The bank balances are in agreement with the bank statements made available. In certain cases bank reconciliation statements wherever required were also prepared. The opening balances of the bank accounts already existing at the start of the period were, however, not confirmed. Similarly, in case of certain bank accounts being opened during the period the source of amounts deposited for opening these accounts were not ascertainable. Moreover, there have been certain inter-transfers between the various accounts which should be properly documented for the purposes of determining their complete accuracy.

CASH TRANSACTIONS

We have not been provided with the records of cash held or transactions from which the expenses incurred against them may be recorded and cash amounts adjusted. Petty cash record is either not available or incomplete. This will render its verification very difficult if not impossible. No amount is, therefore, being reflected as cash in hand at the period end as no record of the same is available nor any cash count was conducted. We, however, assume that the cash in hand at year end for petty cash purposes is included in the advance accounts. We suggest that the record in whatever form should be provided and the persons responsible for handling cash transactions be detailed so that these transactions be recorded, verified and adjusted by the management.

OPENING BALANCES

Although we understand that the Foundation has been in operation before the period which is covered by these accounts there is no record of opening balances which are to be incorporated for the preparation of these accounts. Only one balance of a bank account is ascertainable from the bank statements which has been treated as current year receipts which more appropriately represents part of the previous periods excess of receipts over expenses.

We hope that the above receives the attention of the management and we would be glad to carry out the required verification and adjustments as suggested once the record and information is made available. Please do not hesitate to contact us should you require any clarification in respect of the above.

Yours faithfully
F. Sidat Hyder Aslam & Co.

(SHIBU ISLAM REHAN)

Senior Manager

Enclosure